

MEMO

To: Housing Methodology Committee (HMC)
From: ABAG Staff
Date: March 20, 2007
Subject: Determining the Regional Housing Need

Overview

ABAG staff is working with staff from the State Department of Housing and Community Development (HCD) to determine the Bay Area's housing need for the 2007-2014 period. The process of determining the regional need includes an analysis of both regional and state projections. RHNA legislation outlines how the analysis is to be performed. HCD, however, retains authority over the final determination of the region's housing need. Discussions should conclude by late March.

The determination of the regional need begins with ABAG submitting to HCD its 2007-2014 regional household projections, along with an analysis of the state Department of Finance's projections. In the past, DOF's projections have been used to determine the regional housing need. However, for this RHNA cycle, the region's projections are to be the starting point, with comparisons made to DOF's projections. The primary reason for this change, as stated in the RHNA legislation, is to achieve greater consistency between housing and transportation planning in the region.

Components of the Regional Housing Need

The regional housing need is divided into two parts—the existing need and the projected need. While existing need is the same for each agency, ABAG and DOF differ in their assumptions regarding the projected need.

Existing Need

Existing need is based on state estimates of total households in 2005, plus growth during 2006. A vacancy rate of 5 percent for renters and 1.8 percent for owners is applied to arrive at a vacancy goal (95,395). The total existing housing need of 1,984 units is derived from subtracting existing vacancies (93,411) from the vacancy goal. Both ABAG and DOF use this total to determine “existing housing need.”

Projected Need

Projected need is determined by household growth in the region. Household growth is determined by the components of population growth: 1) birth or natural increase; 2) migration and 3) household formation rates. ABAG and DOF assumptions regarding birth and migration are fairly consistent. However, each agency uses different assumptions regarding household formation or headship rates. Under DOF assumptions, household growth for the region is marginally higher than what is projected by ABAG. This is because DOF assumes relatively higher rates of household formation.

Determining the Regional Need

As stated above, the difference in ABAG and DOF forecasts for household population, and therefore the regional housing need is primarily due to estimates of headship rates. Headship rates are used to translate population forecasts into estimates of occupied housing units, or total households. ABAG's methodology for establishing the number of households is to use a ratio of housing units to total population. The state uses detailed headship rates to make their determination of household population. State legislation requires that headship rates be used to determine regional housing needs.

Therefore, ABAG and DOF staffs are currently reviewing the state's estimated headship rates used in their household population forecasts for the region. We are confident that, in working together, both agencies will come to an agreement regarding the appropriate headship rate to use in portraying household formation in the region.

Final Determination of Need

ABAG and HCD are continuing to discuss the differing assumptions regarding the region's household projections, specifically headship rates. HCD has been responsive to ABAG's comments, as they appreciate ABAG staff's knowledge and expertise in regards to regional population and household forecasts. A final decision by HCD on the region's housing need is expected by late March.